

El Salvador Offers a Balmy Climate for U.S. Agricultural Exports

By Miguel Herrera and
Ana Elizabeth Iglesias

El Salvador is a unique, dynamic market that has one of the most transparent business climates in all of Latin America. Other positive business features include a currency pegged to the U.S. dollar, free trade agreement negotiations under way with the United States, rising international reserves, a low debt burden, continuing tariff reductions and streamlined customs procedures.

The government is also modernizing its ports and is planning to construct a new container facility on the Gulf of Fonseca. El Salvador has the most modern airport in the Central American and Caribbean region, offering excellent facilities for shipment of products to the local market.

With the reduction of import tariffs and the removal of almost all nontariff trade barriers, the climate for successful business in El Salvador has improved significantly during the last few years. The privatization of the banking system has created an array of financing options for local importers. Business practices in El Salvador are very similar to those in the United States.

The Salvadoran Consumer

The average Salvadoran consumer is very familiar with U.S. products and is an avid purchaser of quality goods. In addition, almost 2 million Salvadorans reside in the United States, and they send both money and consumer tastes back home to their relatives and friends.



20006

BUSINESS PRACTICES IN EL SALVADOR ARE VERY SIMILAR TO THOSE IN THE UNITED STATES.

Many consumers believe U.S. products are of superior quality, and they are generally willing to pay a premium price. Nevertheless, the relatively high price of most U.S. products can be a constraint to increased market share. U.S. suppliers face stiff competition in El Salvador from other Central American countries, Mexico, Chile and the EU (European Union). El Salvador has signed free trade agreements with Mexico, Chile, the Dominican Republic and Panama. In addition to CAFTA (Central America Free Trade Agreement) deliberations with the United States, El Salvador is currently negotiating free trade agreements with Canada and the EU.

Some 20 percent of El Salvador's population regularly purchases U.S. food items. In calendar year 2001, U.S. agricultural and fish products exported to El Salvador were valued at almost \$250 million. With more women joining the labor force and fewer domestic employees to assist in food preparation, the demand for convenience and fast foods is increasing. The positive image of U.S. brands is a major advantage over counterparts from other countries. In the Salvadoran consumer, brand loyalty is strong.

The four basic foods for the vast majority of Salvadorans in order of importance are tortillas from white corn, beans, eggs and rice. Bread, milk, meats, fruits, vegetables, snacks and juices are consumed in varying quantities depending on income level. Generally, people living in urban areas consume more bread and meats than tortillas and beans.

Urban Salvadorans are very familiar with U.S.-style food, and most U.S. fast-food franchises have outlets in El Salvador. Food courts in shopping malls are popular and viewed as a perfect place to socialize. Delivery service is also catching on.

U.S. foods such as hot dogs and hamburgers are preferred by the younger generation. Ramen-style soup has filled a niche among construction workers as a quick and inexpensive lunch.

Market Structure

With the growth in the number of supermarkets in El Salvador, the market for U.S. value-added food products is expanding. Consumers are switching from open-air markets and mom-'n'-pop stores to U.S.-style supermarkets. In 1995, there were 57 supermarkets in El Salvador. By the end of 2002, this number had climbed to 139.

Best High-Value Product Prospects

- Processed fruits and vegetables
- Breakfast cereals
- Pet foods
- Meat sausages
- Wines
- Ramen-style soups
- Dairy products
- Fresh and frozen potatoes
- Salad dressings
- Fresh fruits—apples, grapes, stone fruits
- Pork and beef
- Sardines
- Snacks
- Cookies
- Food processing ingredients—e.g., potato flakes, raisins, concentrated juices

El Salvador's corporate hotel industry is also growing, increasing the demand for high-quality U.S. foods and wines. The U.S. Meat Export Federation has successfully introduced U.S. beef and pork cuts into this market through various promotions, festivals and cooking demonstrations.

In food processing, the Diana Company in El Salvador is the largest snack producer in Central America. Other local snack producers are Bocadeli and Ideal. These companies are working hard to increase market share and offer a wide variety of snacks. They eagerly seek U.S. ingredients for their products.

Meat processing is also growing in El Salvador. Salvadorans are large consumers of sausage products, and imports of U.S. pork have grown tremendously over the last two years. Dairy processors and bakeries are also expanding to supply the supermarket chains, and their demand for ingredients is on the rise.

In order to attract new customers, a U.S. supplier needs to employ an effective marketing campaign that includes both

sampling and easy-to-read instructions in Spanish on how to use the product. Tasting before purchasing is still the norm in this market.

In El Salvador, distributors usually handle products on an exclusive basis. It is essential for U.S. suppliers to develop strong relationships with distributors because they can assist in ad campaigns, promotions and in-store displays. A good place to get acquainted with local distributors is food and beverage shows. Salvadoran distributors like to keep up to date on developments in the food industry and find food shows an excellent way to accomplish this and do business at the same time.

What Exporters Need To Know

Salvadoran business relationships and meetings are, at first, formal. One is expected to use proper titles, shake hands before and after the meeting and refrain from using a person's first name until a relationship has been solidified. It is also important to have business cards in Spanish.

Breakfast meetings beginning around 7:30 a.m. are common. Lunches and dinners can last as long as two or three hours, so it is a good idea not to plan a tight schedule around them.

The Salvadoran Ministry of Public Health and Social Assistance regulates food safety. The Ministry of Agriculture is in charge of assuring the safety of dairy and meat products. The Ministry of Economy has a consumer protection agency that ensures products are safe for human consumption.

Most foods are inspected for safety at the port of entry. In addition, there is random testing at wholesale and retail outlets. Labeling requirements include prod-

uct name, net content in metric measurement, ingredients, additives, lot identification and manufacturing date, expiration date, preservation instructions, manufacturer's name, country of origin and name and address of the importer in El Salvador. While not strictly enforced at this time, regulations stipulate that labels be in Spanish. Since most Salvadorans do not speak English, having labels in Spanish is essential for successful sales.

English, however, is the commercial language used for import documents. In general, it takes approximately three to five days to clear a product through customs. Most importers use a customs agent to expedite the process. All plant and animal products must have an import license from the Ministry of Agriculture.

The customs process in El Salvador has improved since 1998, when a new system was introduced that allows importers and exporters to submit commercial invoices, bills of lading and airway bills to the Salvadoran customs office electronically, 24 hours a day, seven days a week. ■

Miguel Herrera is an agricultural specialist and Ana Elizabeth Iglesias is a marketing assistant at the FAS Office of Agricultural Affairs, U.S. Embassy, San Salvador, El Salvador. For more information, or assistance in entering the Salvadoran market, contact that office at: Tél.: (011-503) 298-1666; Fax: (011-503) 278-3351; E-mail: agsansalvador@usda1.sprint.com

For details on exporting to El Salvador, see FAS Report ES2007. To find it on the Web start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.

